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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
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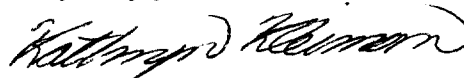
Re: CC Docket No. 95-72
End User Common Line Charges

Dear Mr. Caton:

On behalf of 3Com Corporation enclosed are an original and four copies of its
Reply Comments in the above-referenced proceeding.

Should any questions arise concerning this matter, please contact this office.

Very truly yours,



Frank R. Jazzo
Kathryn A. Kleiman
Counsel for 3Com Corporation

KAK/bl
Enclosures

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Federal Communications Commission

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To: The Commission

3Com Corporation ("3Com"), by its attorneys, respectfully submits the following reply comments in response to the Commission's *Notice of Proposed Rulemaking* ("*NPRM*") released on May 30, 1995.

3Com, headquartered in Santa Clara, California, is a leading provider of global data networking products, with sales of approximately \$1.3 billion for the fiscal year ended May 31, 1995. 3Com develops, manufactures, markets and distributes products which have made data networking affordable and available to individuals and businesses alike. Its equipment lines include adapters, remote access servers, switches and hubs and routers for high speed data networks. 3Com Access Products, a unit of 3Com recently acquired for its expertise in ISDN technologies, is developing pioneering ISDN products which enable users to exchange data over ISDN lines at 128 kilobits per second.

3Com believes that the one Subscriber Line Charge ("SLC") per-derived channel approach would have an adverse effect on the development of digital information

services and harm U.S. competitiveness in the worldwide market. 3Com supports the one SLC per-facility approach as the best method of recovering the actual line costs and making access to digital services affordable to every consumer.

II. **3Com Believes that Wide Deployment of ISDN Will Improve
the Access and Attractiveness of Digital Information Services**

Commenters from the high technology community¹ unanimously affirmed that ISDN provides greatly improves access to digital information services, such as the Internet and commercial online services. Such access is consistent with the Administration's National Information Infrastructure ("NII") vision. However, the attractiveness of digital information services, including the World Wide Web, sharply decreases when access is slow or otherwise delayed. The complexity and size of data files is growing and consumers seeking to access the growing number of computer programs, video, audio and graphics files available over information services will be disadvantaged by slow data exchange rates taking place over standard analog lines. It is residential users, schools, libraries, and small businesses that Administration policies would most like to attract to NII resources, but these users are typically unwilling to wait very long for data to be transferred. 3Com believes that they will limit their use of network technologies and that their willingness to engage in telecommuting and new methods of document sharing will be reduced.

¹ Comments were submitted by the Commercial Internet Exchange Association, Microsoft Corporation, the Information Technology Industry Council, and the Center for Democracy and Technology. Joint comments were submitted by America Online Incorporated, CompuServe Incorporated, GE Information Services, Inc. and Prodigy Services Company ("*Online Service Providers*").

These consumers are extremely price sensitive, particularly when it comes to spending on online and enhanced services.² 3Com is familiar with the price issue and has made pioneering advances in the design and manufacture of data networking equipment resulting in much lower prices and much greater availability of these products to the home market. 3Com has found that the lowering of prices, even by a few dollars, is often sufficient to make the network product or services accessible to an entirely new group.

III. ISDN Raises Issues of International Competitiveness and U.S. Companies are Disadvantaged by Low Rates of ISDN Deployment

Microsoft, in its comments, pointed out that "the United States lags far behind many other countries in widespread deployment of ISDN."³ 3Com believes that ISDN affordability and availability is central to U.S. competitiveness and should be a key factor in the Commission's evaluation in this proceeding. Other industrialized nations have embraced ISDN and made it available at low cost. 3Com personnel have observed that ISDN rates in Germany and Japan are a much more affordable alternative to leased lines than in the U.S. This appears to have resulted in the widespread and rapidly increasing use of ISDN service in these countries. In Germany, ISDN service will be running on over one million subscriber lines by the end of 1995, and German businesses now take for granted that ISDN will be used for business-to-

² *Online Service Providers* at 8-9.

³ *Comments of Microsoft Corporation* at 2.

business communications.⁴ In Japan, 3Com employees report that ISDN is widely used for "traditional" applications such as network-to-network communications and also innovative new applications such as "ISDN KARAOKE," a rapidly-growing service in which the video and text of newly-released songs are delivered directly to Karaoke bars using ISDN.

Such worldwide acceptance of ISDN by other developed countries poses two types of problems for U.S. companies. First, as a competitor in the worldwide market for ISDN products, 3Com competes against manufacturers who can take advantage of the economies of scale which exist in their own markets to lower the cost of goods that they sell internationally.

In addition, U.S. businesses that operate in the worldwide market must compete with global companies that have low-cost access to ISDN which provides them with an affordable and efficient means of exchanging information.

IV. Imposition of One SLC Per-Derived Channel Provides Excessive Recovery and Will Have An Adverse Effect on the U.S. High Technology Industry

The Commission's decision in the *NYNEX Telephone Companies, Revisions to Tariff F.C.C. No. 1*,⁵ required LECs to charge one SLC for each derived channel. 3Com joins the vast majority of commenters, from both the telephone industry and the high

⁴ *ISDN Becomes a Reality*, Study by Dataquest Europe (Highwycombe, UK), June, 1995.

⁵ Transmittal No. 116, *Memorandum Opinion and Order*, 7 FCC Rcd. 7938 (1992), *aff'd on recon.*, 10 FCC Rcd. 2247 (1995).

technology community, in responding that these additional fees are not necessary to the recovery of local loop costs and hinder the development of an emerging digital information services industry.

First, 3Com notes that the telephone companies agree that one SLC per-derived channel results in excessive recovery of local loop fees. In its comments, Roseville Telephone Company stated that such an assessment of an SLC "bears no actual relationship to the cost of the local loop" and would be "antithetical to the purposes of the SLC."⁶ Roseville further argued that "[m]ultiple SLCs would also result in ineffective use of the network, by distorting the price of ISDN based services."⁷ Opposition to this approach is shared by telephone company associations, including the United States Telephone Association and the National Telephone Cooperative Association.

Second, as discussed above, the high technology community unanimously opposes this approach because it drastically raises the cost of ISDN service. Consumers exploring new areas of technology are extremely price sensitive and the additional charge of \$7 to \$84 a line per month would deter many who might otherwise purchase the ISDN service and further develop their knowledge and use of data networking and digital information services. With restricted use of ISDN, 3Com and its U.S. competitors would sell fewer units of their ISDN and other data networking products and would, therefore, need to raise their cost per product to recoup their

⁶ *Comments of Roseville Telephone Company* at 3-4.

⁷ *Id* at 4.

heavy investments in research and development and need fewer workers to design, manufacture and distribute such products. Such moves would further drive away consumers, thereby creating a vicious circle in which jobs will be lost and market needs will remain unmet.

V. Accordingly, the FCC Should Adopt the One SLC Per-Facility Approach Which Most Closely Recovers the Actual Common Line Costs

3Com respectfully submits that the one SLC per-facility approach would most effectively balance the Commission's various concerns and goals in this proceeding: this approach will allow local exchange carriers to fully recover the requisite local loop costs without imposing undue additional costs on ISDN service.

As discussed above, commenters from the telephone industry have stated that the one SLC per-facility approach will allow them to recover the costs which the SLC is designed to ensure: the non-traffic sensitive local loop costs associated with providing access to interstate telephone service.⁸

3Com joins the high technology community⁹ in stating that the one SLC per-line approach will result in the lowest-cost ISDN access and generate the most interest and involvement in the new resources of digital information services and information exchange. However, should the Commission determine that one SLC per-line would not fully recover the limited additional costs of ISDN service, 3Com joins the Information

⁸ See e.g., *Comments of the United States Telephone Association* at 9-10 and *Comments of the National Telephone Cooperative Association* at 2.

⁹ Parties set out in footnote 1 above.

Technology Industry Council in agreeing that one SLC per-twisted pair would also serve the goals of low-cost access to ISDN service.¹⁰

VI. Summary

While a leader in many areas of the world's information economy, the United States lags behind other developed countries in the deployment of low-cost ISDN to residences and businesses. Of the options set out in the Commission's *NPRM*, the one SLC per-line approach will best recover the actual line costs and keep costs reasonable so that manufacturers such as 3Com can proceed with the development of ISDN products that will make NII access a reality for all U.S. consumers.

Respectfully submitted,

3COM CORPORATION

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¹⁰ *Comments of the Information Technology Industry Council at 7-8.*